



BOB RILEY
Governor

Alabama Medicaid Agency

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CAROL HERRMANN STECKEL, MPH
Commissioner

April 17, 2007

Dear Patient 1st Provider,

When the Patient 1st Program was reinstated in 2004, the Alabama Medicaid Agency committed to sharing a portion of the savings with those providers who helped make those savings possible. This week, the Agency is distributing for the first time a portion of the money saved through PMP's collective efforts. The enclosed document indicates the amount you will receive as a line item financial transaction on the April 20, 2007 checkwrite.

Distribution of shared savings is based on a formula designed to equitably reflect several measures of performance and efficiency. These include:

- **EFFICIENCY:** The actual amount Medicaid spent on behalf of a PMP's panel compared to the expected expenditures.
- **PERFORMANCE:** For each of three performance measures, the actual utilization by the PMP's panel compared to what was expected. The performance measures are: Generic Dispensing Rate, Non-Certified Emergency Room Visits and Office Visits by unique enrollee.
- To calculate each value, the percent variance was determined, and based on the ranking of the variance of all PMPs, a score was applied. The score was then multiplied by the number of member months to determine the "share points."
- Each point is worth \$0.2105 from the efficiency pool and worth \$0.0444 in from the performance pool.

A complete explanation of the criteria used in the calculation of these payments is available on the Agency's website at: www.medicaid.alabama.gov. Questions regarding the shared savings payments may be directed to Kim Davis-Allen, at kim.davis-allen@medicaid.alabama.gov or to Dr. John Searcy, at john.searcy@medicaid.alabama.gov.

We appreciate your participation in the Patient 1st program and thank you for the valuable service you provide to the Medicaid recipients in the state of Alabama.

Sincerely,

Carol H. Steckel
Commissioner

CAHS/kbda

Enclosure